

MICHIGAN HEALTH PURCHASERS' COALITION PRESENTATION

House Health Policy Committee Meeting

PRESENTERS:

Mr. Larry Horwitz, President -The Economic Alliance for Michigan

**Mr. Tom Boensch, Secretary-Treasurer - Michigan State Building &
Construction Trades Council**

**Mr. Richard Studley, Senior Vice President of Government Relations -
Michigan Chamber of Commerce**

**March 8, 2005
10:30 a.m.
521 House Office Building**

Michigan Health Purchasers Coalition

PO Box 16102 • Lansing, MI 48901

The Coalition comprises associations, consumer groups, corporations, and unions involved in the provision of health care benefit coverage for millions of Michigan residents. The Coalition works on health legislation to promote more cost-effective health plan options.

Membership List

These are the groups that subscribed to the basic policy statement when the Coalition was formally established in October 1993, or that joined later. Coalition statements on specific bills or proposals are separately circulated for support among Coalition members and other interested groups.

List of signators updated as of September 14, 2004

Associations

Alliance for Health
American Society of Employers
Capital Area Health Alliance
Detroit Regional Chamber
Economic Alliance for Michigan
Grand Rapids Area Chamber of
Commerce
Greater Detroit Area Health Council
Michigan Chamber of Commerce
Michigan Farm Bureau
Michigan Manufacturers Association
Small Business Association of Michigan
South Central Michigan Health Alliance
Southwest Michigan Healthcare Coalition

Companies

Besser Company
The Budd Company
DaimlerChrysler
Delphi Corporation
Dow Chemical Company
Ford Motor Company
General Motors Corporation
ITH Staffing Solutions
JSJ Corporation
Kellogg Company
Kushner & Company
Lear Corporation
Matthaei & Matthaei, Inc.
Online Technologies Corp.
F.D. Stella Products Company
Visteon Corporation
Willett Communications

Employee Groups & Unions

Hotel and Restaurant Employees Union,
Local 24
International Association of Machinists, Dist 60
International Association of Machinists, Dist 97
International Union, UAW
Michigan Corrections Organization
Metropolitan Detroit AFL-CIO
Michigan Education Association (MEA)
Michigan State AFL-CIO
Michigan State Building Trades Council
Michigan State Pipetrades Council
Michigan State Utility Workers Council
Service Employees International Union
(SEIU) Michigan State Council
Teamsters Michigan Joint Council #43
United Food & Commercial Workers,
Local 951

Insurance Payers

Aetna U.S. Healthcare, Inc.
Blue Cross Blue Shield of Michigan
Michigan Education Special Services
Association (MESSA)



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Basic Policy Statement

Membership is open to all health care coverage purchaser groups (associations, businesses, consumer groups, or insurance companies), which subscribe to the founding statement when the Coalition was formed in October 1993.

We have joined together to express appreciation for the new legislative focus on health issues, but also to voice great concern about simultaneous efforts that will worsen matters.

Two key and interrelated problems threaten the overall health care system:

- **escalating health costs**, jeopardizing employers' economic viability, workers' job opportunities, and governmental fiscal solvency; and
- **growing numbers of citizens with inadequate health coverage or none at all**, causing financial and health crises for millions of individuals, expanded cost shifting to health purchasers, and increased financial stress for government and health providers.

Fortunately, elected officials, in both parties and at the State and Federal levels, are focusing on these problems in ways that would continue quality health care.

Our immediate concerns are prompted by various bills to restrict the ability of purchasers (whether employers, associations, unions or individuals) to select the types of health coverage that they determine best meet their needs. State government has an important responsibility, through licensure and regulation, to assure minimum guarantees of safety and effectiveness of health providers and insurance products. State regulation should not be used, however, to favor certain health services or providers, nor dictate to whom and how purchasers must pay for services.

1. **We oppose bills to require payments for a few favored health services or professions, regardless of purchaser preference.** (Required insurance offerings can be considered when there is a clear and compelling public need.) State law does not require insurance payment for hospitals or physicians (MDs and DOs), but does impose coverage for certain other provider groups and services in differing ways for commercial insurers, the

Blues, and HMOs. **We oppose all such requirements – current, expanded or new.** Contrary to many advocates' expectations, these State requirements impact less than half of Michiganians. The rest are exempt due to coverage by self-insured larger private employers and public programs (e.g., Medicaid and Medicare). These requirements would add costs for those not exempt, including smaller businesses and state and local government employers, further increasing the problem of the insured or underinsured.

2. **We oppose bills to force purchasers to contract with providers not of their choice.** Such bills would require uniform contracts or payments for all providers of covered services just because they are State-licensed. Purchasers, acting directly or via intermediaries, should continue to be able to limit covered providers according to the number and/or criteria they determine best meet their needs for affordable and quality health services.
3. **We oppose blocking the ability of purchasers and payers to rely on utilization review for assuring appropriateness of health care charges and services.** National utilization review standards (cooperatively developed among purchaser, provider and insurance groups) are being implemented to assure review is done in a reasonable, timely and responsive manner.

Employers (independently or through collective bargaining), individuals, associations, and religious and fraternal groups, should have the freedom to select the benefits, providers, and payment and utilization review arrangements which they determine as best meeting their needs for quality, accessible and cost-effective health care. We urge those promoting restrictions on purchasers to instead use their energies to demonstrate the merits of their proposals to those who are to pay for them, instead of lobbying for State coercion of their desired customers.

Purchasers oppose these bills as inconsistent with reforms needed to eliminate inappropriate and unneeded health care, too often over-priced. Business and labor also oppose these requirements because they often increase costs and interfere with purchasers' rights to make their own judgments. Unions additionally oppose these requirements as unwarranted interference with the State-assured right to collectively bargain for those benefits that their members determine as having the highest priority.

We ask legislators' help in opposing such bills that would harm purchase attempts to effectively pursue more cost-effective and quality health care services.



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SENT TO ENTIRE LEGISLATURE FOUR TIMES IN 2003-04. MHPC CONTINUES TO COLLECT SIGNATURES.

May 4, 2004

The Honorable Edward Gaffney
District 001
Michigan House of Representatives
S0585 House Office Building
PO Box 30014
Lansing, MI 48909

Dear Rep. Gaffney:

We again urge you to oppose HB 4987 and HBs 5435-38. The bills' objective (regardless of the changing versions) is described by the advocates as elimination of the cost differential for mail order prescriptions. We oppose these Bills because that objective would mean **increased prescription costs for consumers, employers, and the State.**

One provision (in HB 5436) that we do support is repealing the current statutory prohibition against Michigan pharmacists filling prescriptions by mail. That one sentence change would allow retail pharmacies to fill prescriptions by mail and directly compete with mail order companies -- and allow mail order companies to operate in Michigan, a potential source of many new jobs.

The Coalition and its members will continue to work with the sponsors and the groups advocating the bills. However, we felt obliged to describe **our continuing objections to the Bills:**

- **Bad for consumers:** Eliminating mail order savings threatens continued prescription benefits for workers at companies already struggling with high Rx costs. These workers could no longer benefit from lower mail order co-pays, or lower total prices if they don't have prescription insurance.
- **Bad for whoever pays for prescriptions:** These bills harm senior citizens and smaller employers (without ERISA exemptions from State legislation). They also harm larger employers (with ERISA exemptions for traditional programs) because the bills would affect prescription benefits for their employees in HMOs. Estimated higher prescription costs for HMOs and commercially-insured employers are \$124 million per year. More than \$100 million annual cost savings for self-insured employers (local governments and private businesses), and their employees, would be threatened.
- **Bad for jobs:** Higher costs for prescriptions would be a further drag on keeping or increasing jobs, and threaten employee pay levels and benefits.
- **Bad for State budget:** DMB estimates \$23 million increase in annual prescription costs for school district retirees, as well as State retirees/employees, including legislators and their staffs.
- **Bad for collective bargaining and non-unionized workers:** Bills stop collective bargaining, or non-unionized employers, from deciding what is best for union members or other employees.

Bill advocates erroneously claim that the complex legislation is needed to allow retail pharmacies to accept the rates currently paid to mail order pharmacies. Nothing in State law today stops any retail pharmacy from accepting lower prices for prescriptions. Their problem is not legal constraints, but economic competition. Mail order pharmacies have lower costs for purchasing and dispensing drugs than do most retail pharmacies. Those lower costs are reflected in lower prices for employers and individuals via mail order vs. retail pharmacies. Legislators should not block price competition. That would deny consumers and payers the cost savings benefit from mail order pharmacy programs. **We ask you to OPPOSE these bills that are bad for individuals, employers and State government.**

On the reverse is list of business, consumer and union groups opposed to these bills.

Signators to MHPC Letter in opposition to HB 4987 & HBs 5435-38, as of September 1, 2004.

Associations

AAHP-HIAA
Detroit Regional Chamber
Economic Alliance for Michigan
Grand Rapids Area Chamber of Commerce
Michigan Association of Health Plans
Michigan Chamber of Commerce
Michigan Manufacturers Association
Small Business Association of Michigan
Southwest Michigan Healthcare Coalition

Consumer Groups

AARP/Michigan
Michigan League for Human Services
Michigan State Employees Retirees Assn

Labor Organizations

AFL-CIO Employer Purchasing Coalition
AFSCME, Council 25
Greater Detroit Bldg & Construction Trades Council
International Association of Machinists, District 60
International Association of Machinists, District 97
International Union, UAW
International Union, Operating Engineers, Local 547
Michigan Corrections Organization
Michigan Education Association
Michigan Federation of Teachers
Michigan State AFL-CIO
Michigan State Building Trades Council
Michigan State Utility Workers Council
SEIU Michigan State Council
Teamsters Michigan Joint Council No. 43
United Food & Commercial Workers, Local 951
United Steelworkers of America, District 2

Companies

Besser Corporation
Blue Cross Blue Shield of Michigan
DaimlerChrysler Corporation
Delphi Corporation
Dow Chemical Company
Ford Motor Company
Federal Mogul Corporation
General Motors Corporation
ITH Staffing Solutions
JSJ Corporation
Kushner & Company
Lear Corporation
Visteon Corporation

MICHIGAN HEALTH PURCHASER COALITION

P.O. Box 14240, Lansing, Michigan 48901-4240

June 20, 1994 Letter sent to each Representative re Any Willing Provider Issue

The Honorable « 2»« 1»« 3»
Michigan House of Representatives
P.O. Box 30014
Lansing, Michigan 48909

Dear Representative « 1»:

Senate-passed substitutes for SBs 590-593 (re pharmacies on HMO/PPO panels) are now pending before the House Insurance Committee. As reflected in the attached materials, these bills assure that all interested pharmacies must be given fair consideration for possible inclusion in panels when prescription coverage is provided through health maintenance organizations (HMOs) or preferred provider organizations (PPOs). At the same time, the substitutes allow consumers and purchasers to secure volume discounts and assure quality if they choose a size-limited panel.

In this day of rapidly increasing health care costs, particularly in the pharmacy category, we strongly support the right of purchasers to limit the size of provider panels to the number they determine adequate to meet requirements for these services in a cost-effective and quality manner. The ability to limit the number of participating providers on a panel is key to the managed care approach, which so many employers, and State government itself, are using to cope with the health cost crisis.

The Michigan Health Purchaser Coalition opposed SBs 590-593 as originally introduced because they would force panels to contract with health care providers not of their choosing, thereby blocking significant health cost savings. The Coalition supported the S-4 substitutes, which received bipartisan sponsorship by Senators Faust and Honigman. The S-4 subs included statutory fair play and access guarantees in response to pharmacist and consumer concerns. But they also maintained most of the cost containment benefits of size-limited pharmacy panels.

The Senate went beyond the S-4 substitutes by adding various amendments, mostly in further response to various concerns of the independent pharmacies. Some of those Senate amendments will add administrative burdens and costs to HMO/PPO pharmacy panels.

If legislators conclude that the pharmacy bills should be moved forward as a compromise, we urge that they be adopted as passed by the Senate. Otherwise there could be further amendments, variously generating pharmacist concerns over possible erosion of the Senate changes vs. consumer and purchaser concerns about further cost and administrative burdens.

Attached is a summary of what the Senate versions do regarding pharmacy services and how size-limited pharmacy panels could still save significant money for consumers and purchasers.

Thank you for consideration of our views.

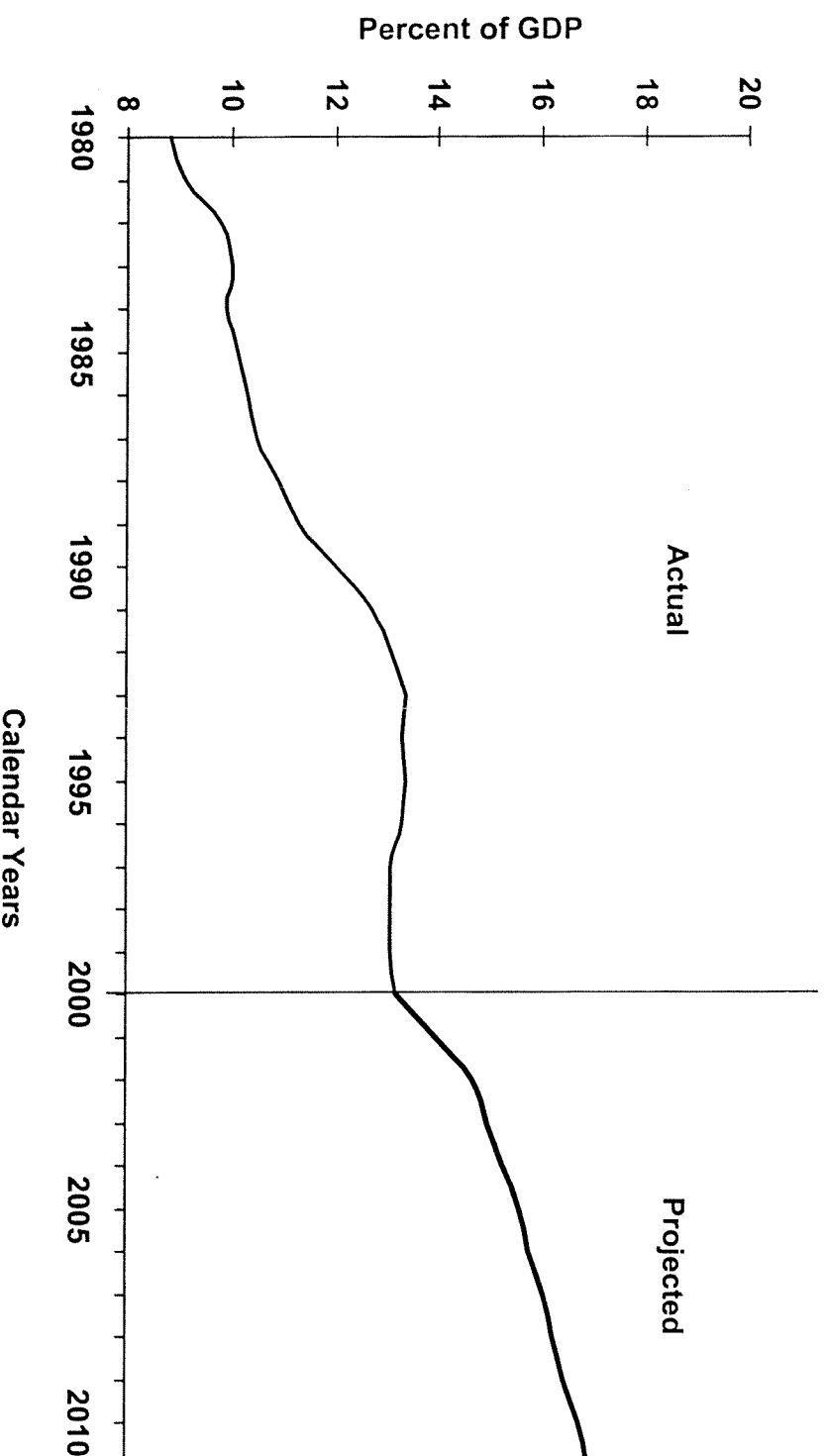
Michigan Health Purchaser Coalition
(attached is list of individual organizations)

Alliance for Health
Arco Industries
Association of HMOs in Michigan
Blue Cross and Blue Shield of Michigan
The Budd Company
Capital Area Health Alliance
Chrysler Corporation
Copper Range Co.
Donnelly Corporation
The Economic Alliance for Michigan
Ford Motor Company
General Motors Corporation
Greater Detroit Area Health Council
Greater Detroit Chamber of Commerce
JSJ Corporation
Kmart Corporation
Kushner & Company
Michigan AARP
Michigan Building Trades Council
Michigan Chamber of Commerce

Michigan Corrections Organization
Michigan Department of Civil Service
Michigan Education Association
Michigan Farm Bureau
Michigan Manufacturers Association
Michigan Merchants Council
Michigan Professional Employees Society
Michigan State AFL-CIO
Michigan SERA Council
MUST AFL-CIO Health Care Coalition
Office of the State Employer
SEIU Michigan Council 35
South Central Michigan AFL-CIO
South Central Michigan Health Alliance
SPX Corporation
Steelcase, Inc.
Teamsters Joint Council No. 43
UAW Michigan CAP
UFCW - Local 951

National Health Expenditures as a Share of Gross Domestic Product (GDP)

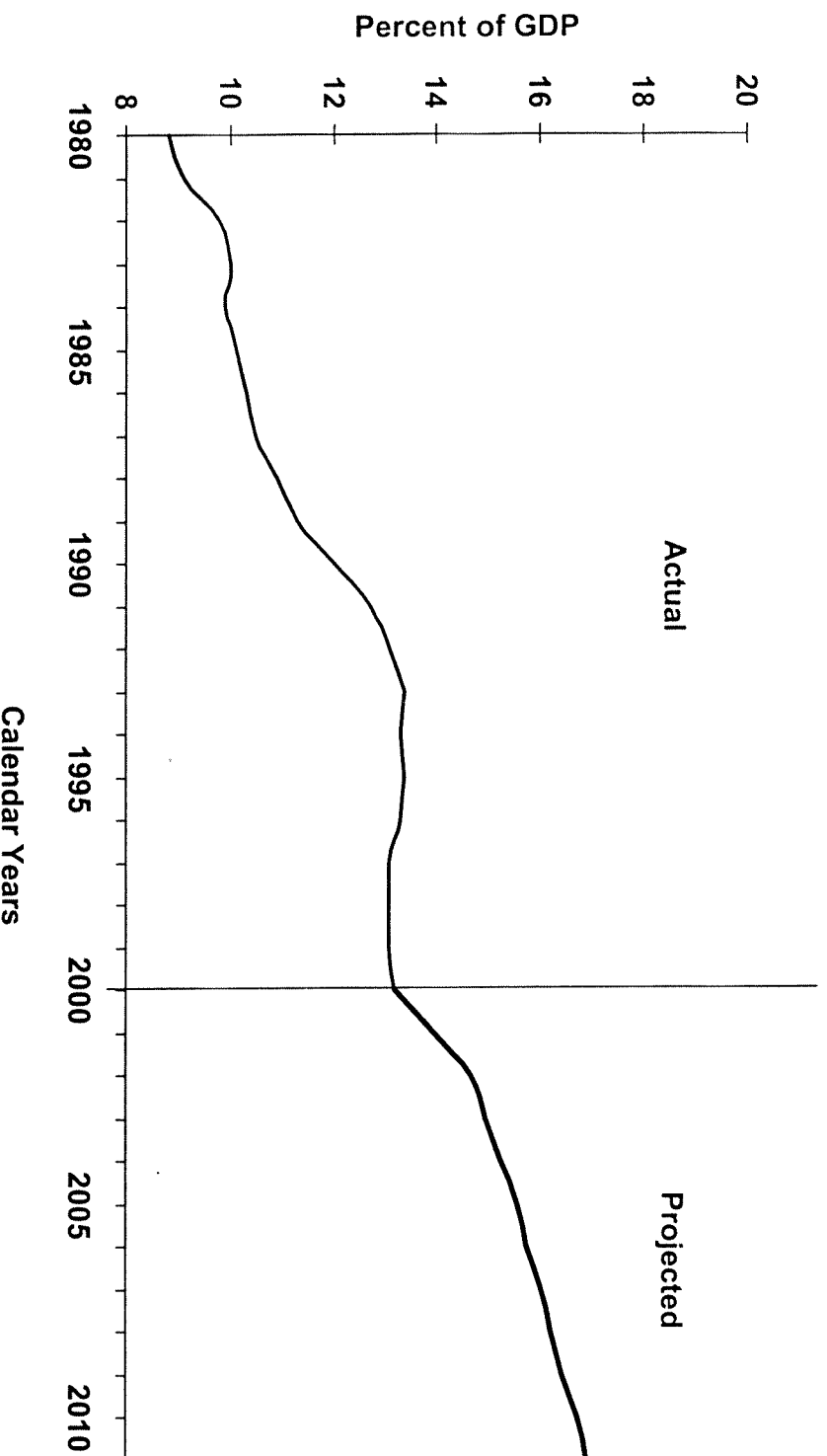
Between 2001 and 2011, health spending is projected to grow 2.5 percent per year faster than GDP, so that by 2011 it will constitute 17 percent of GDP.



Source: CMS, Office of the Actuary, National Health Statistics Group.

National Health Expenditures as a Share of Gross Domestic Product (GDP)

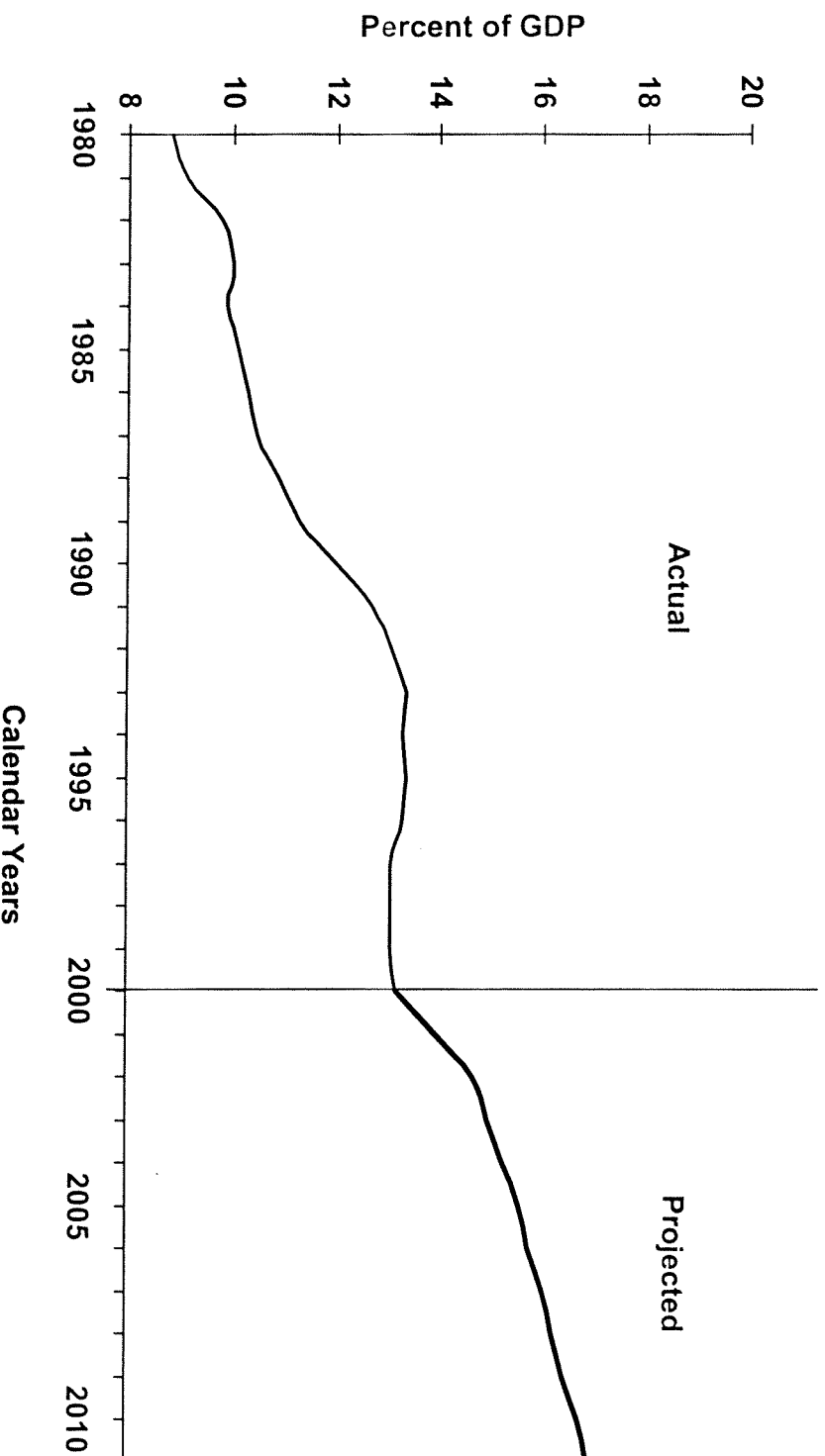
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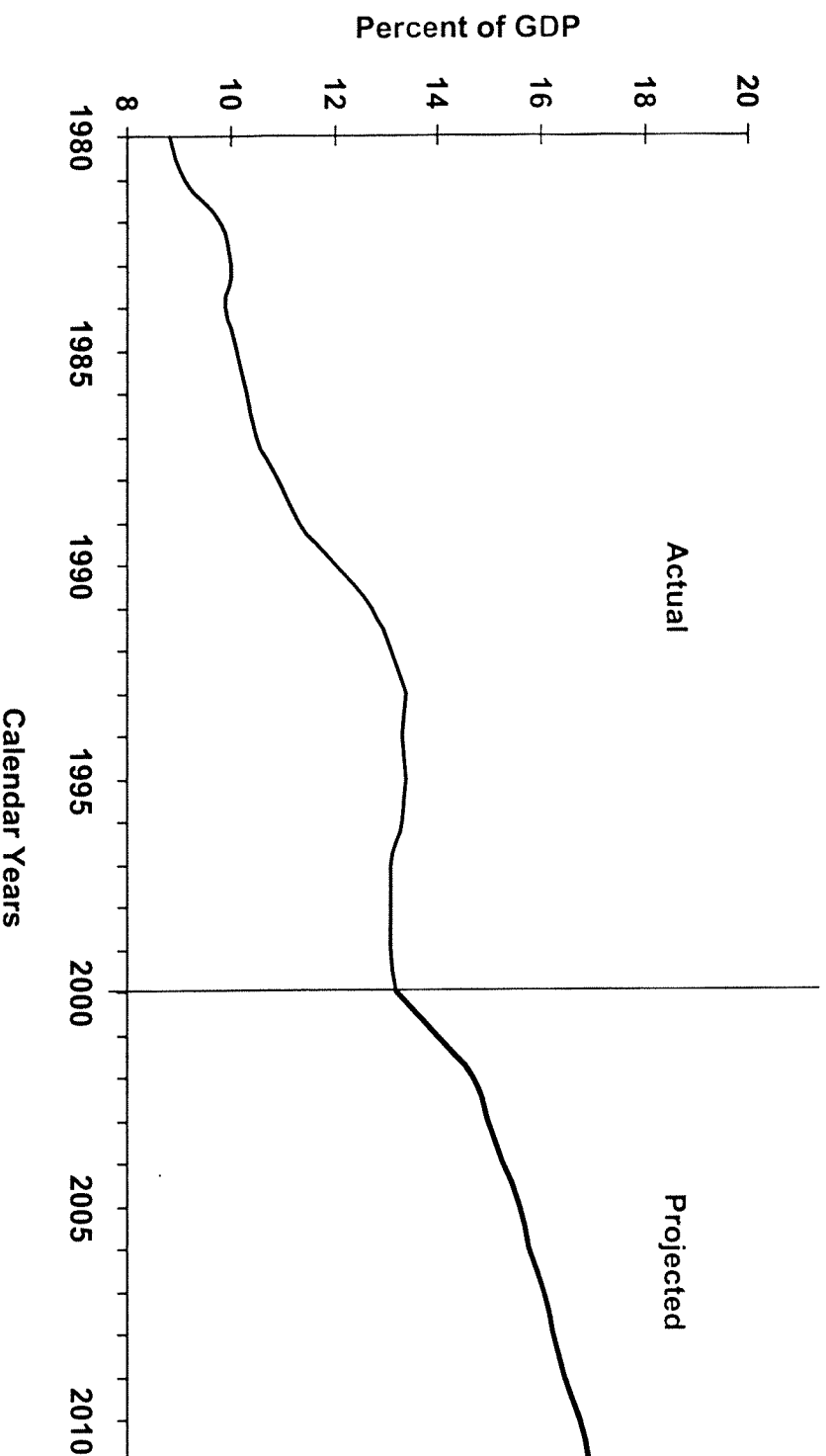
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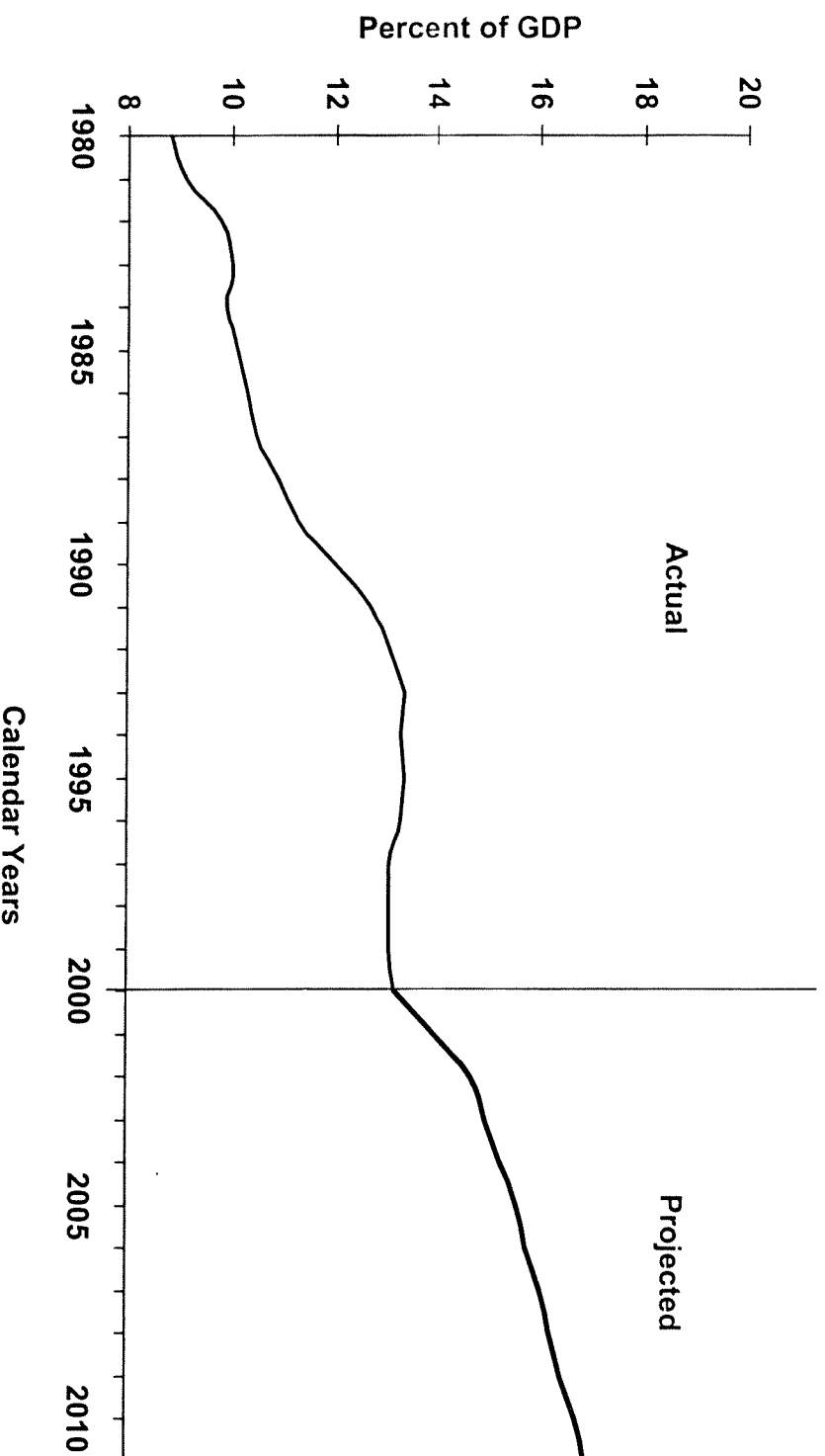
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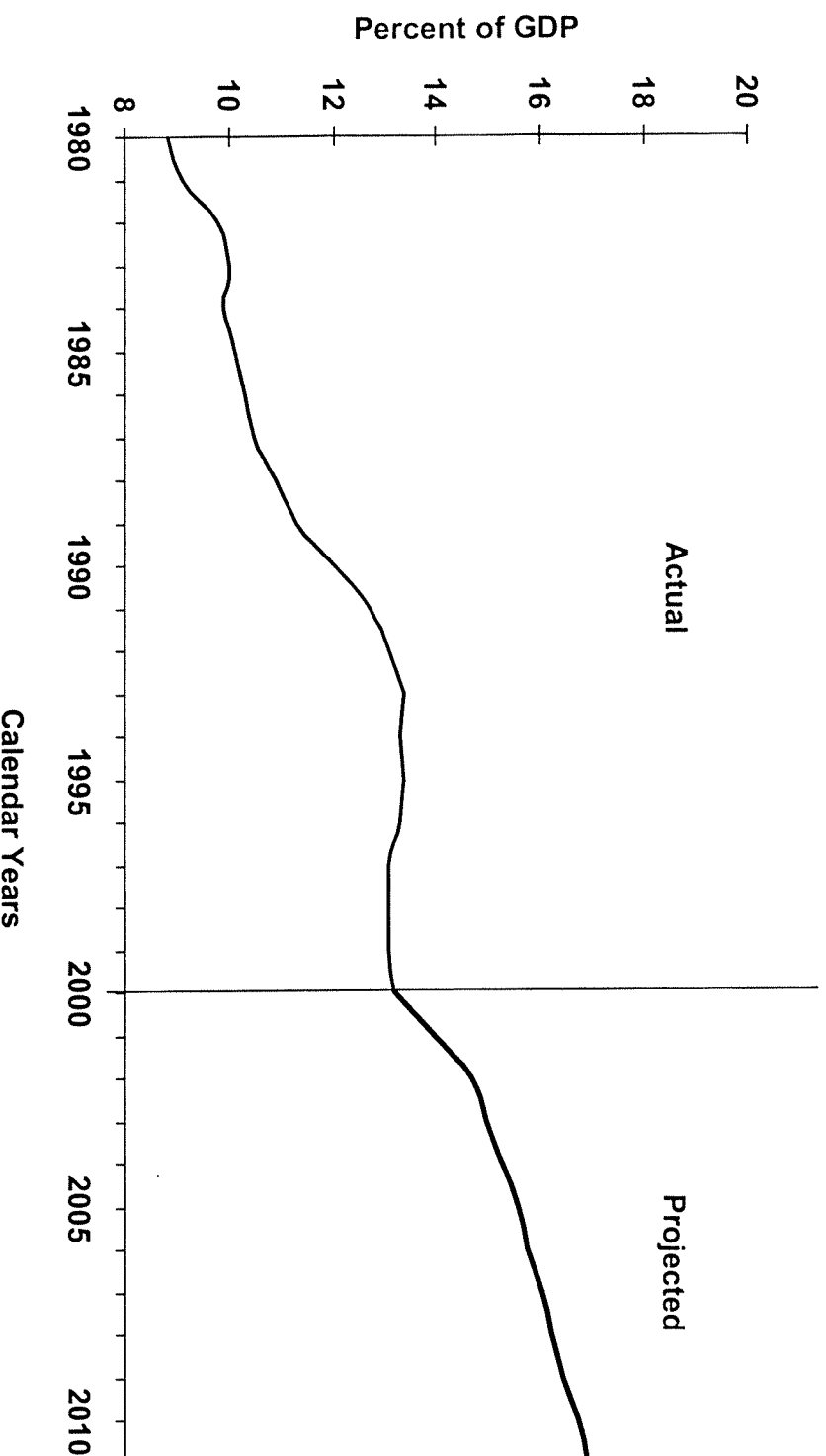
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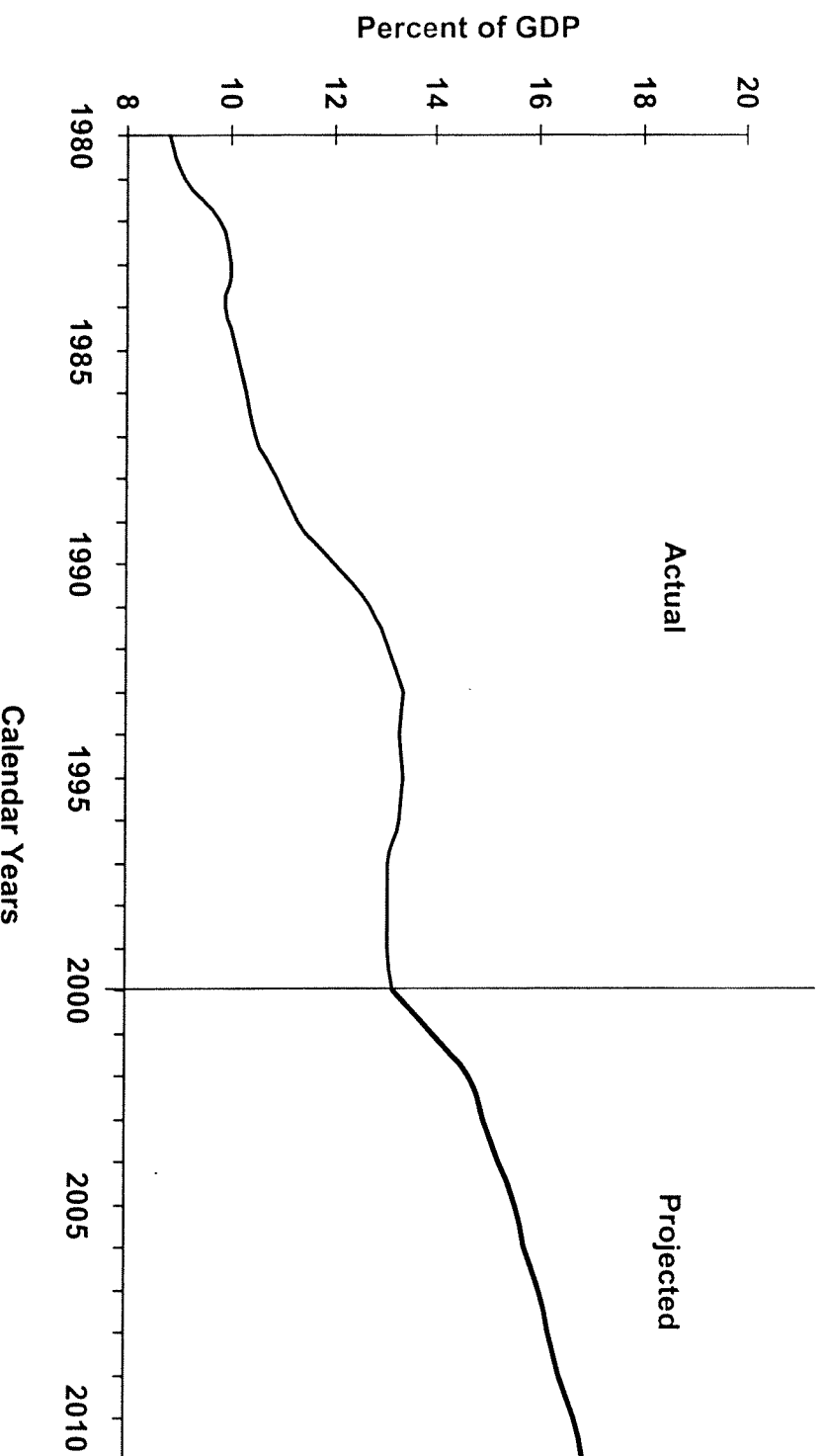
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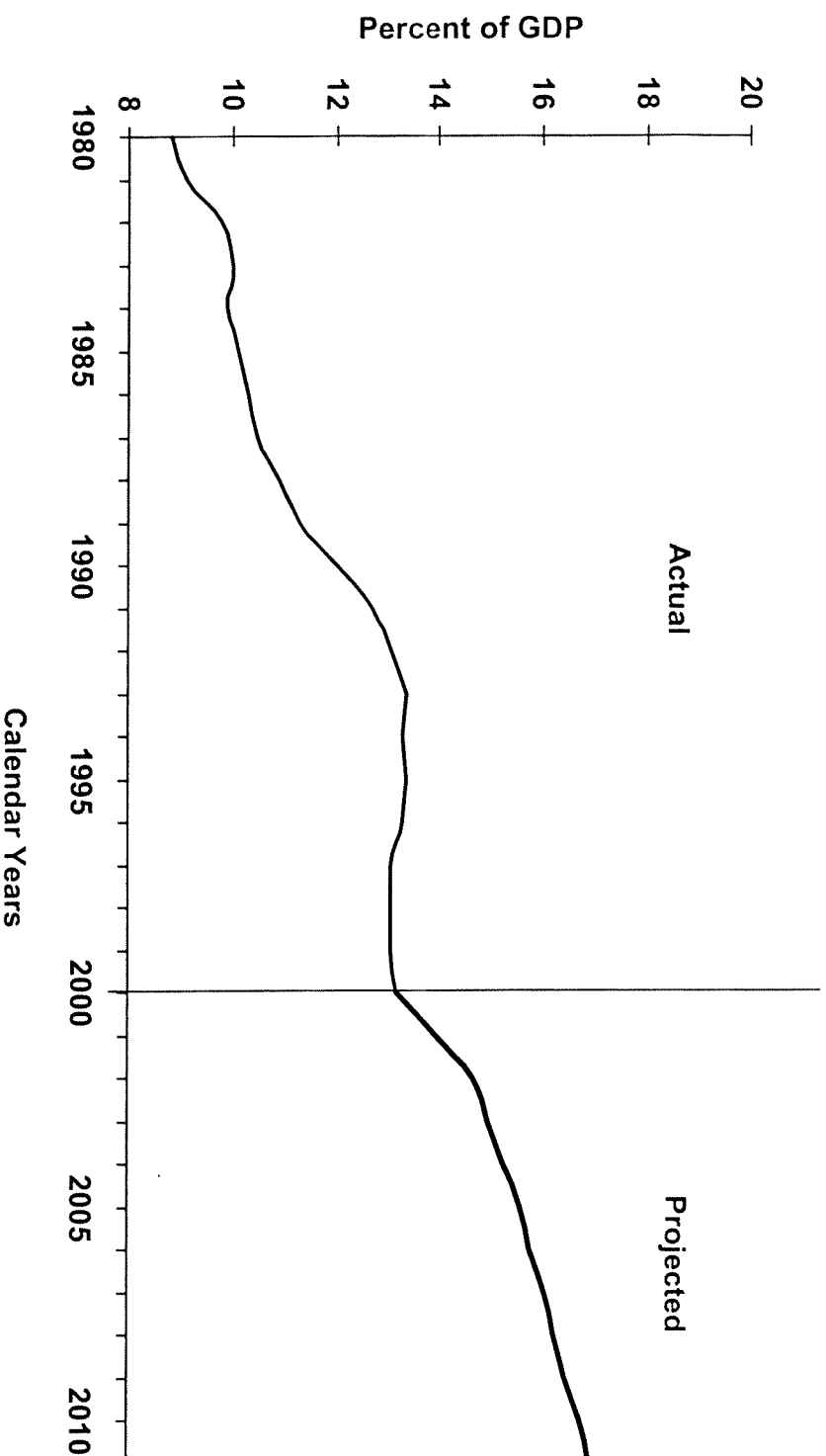
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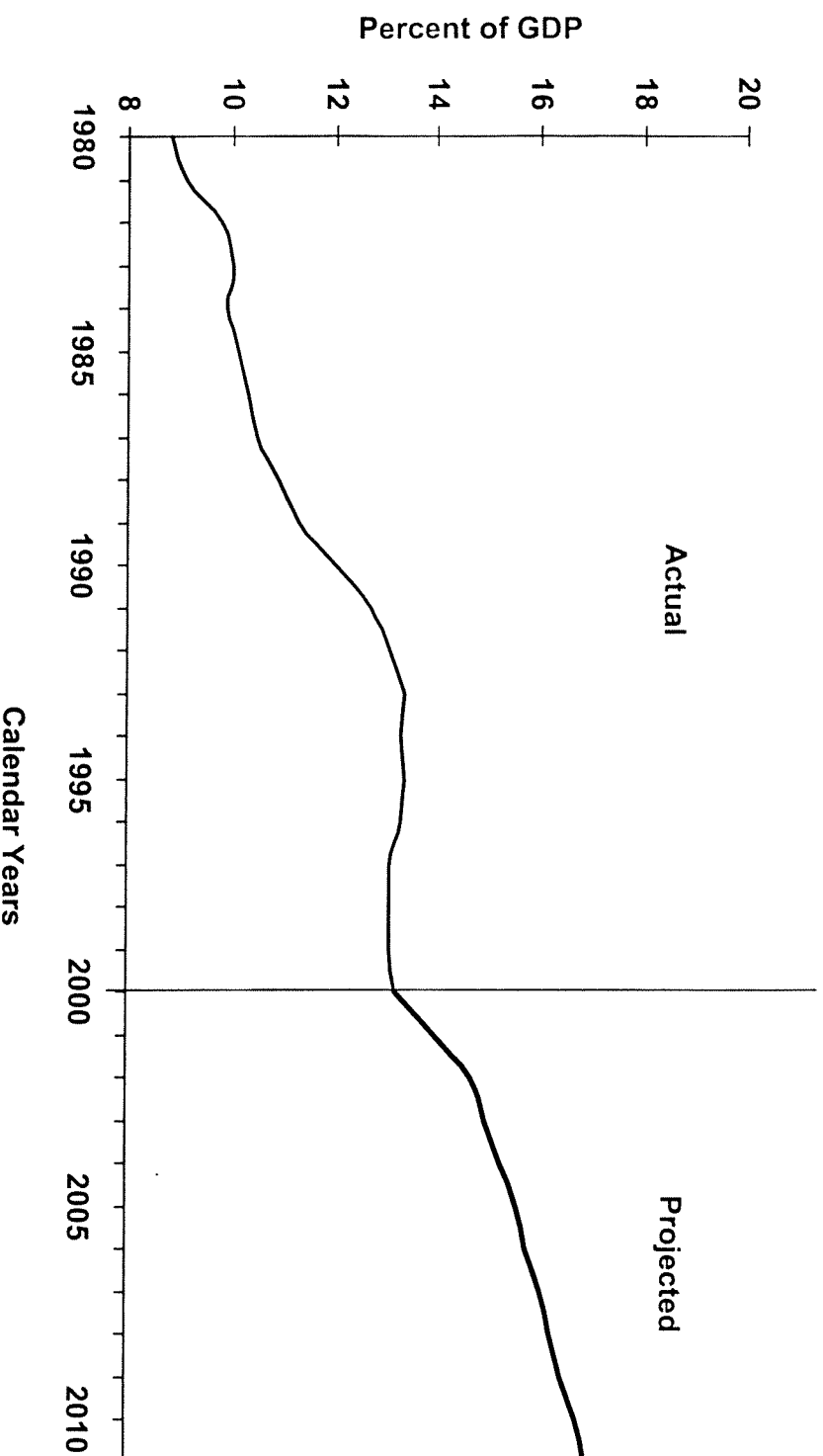
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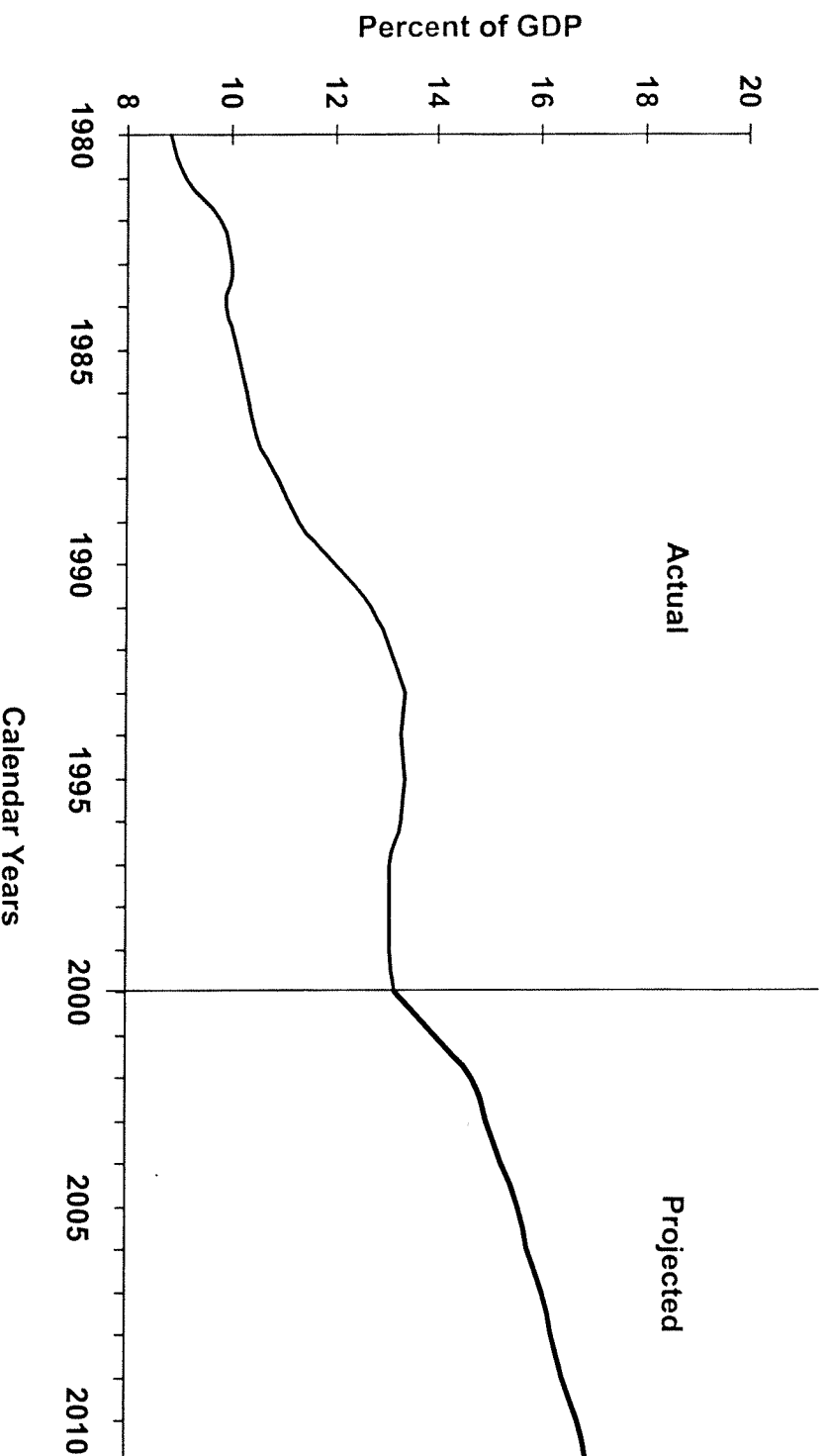
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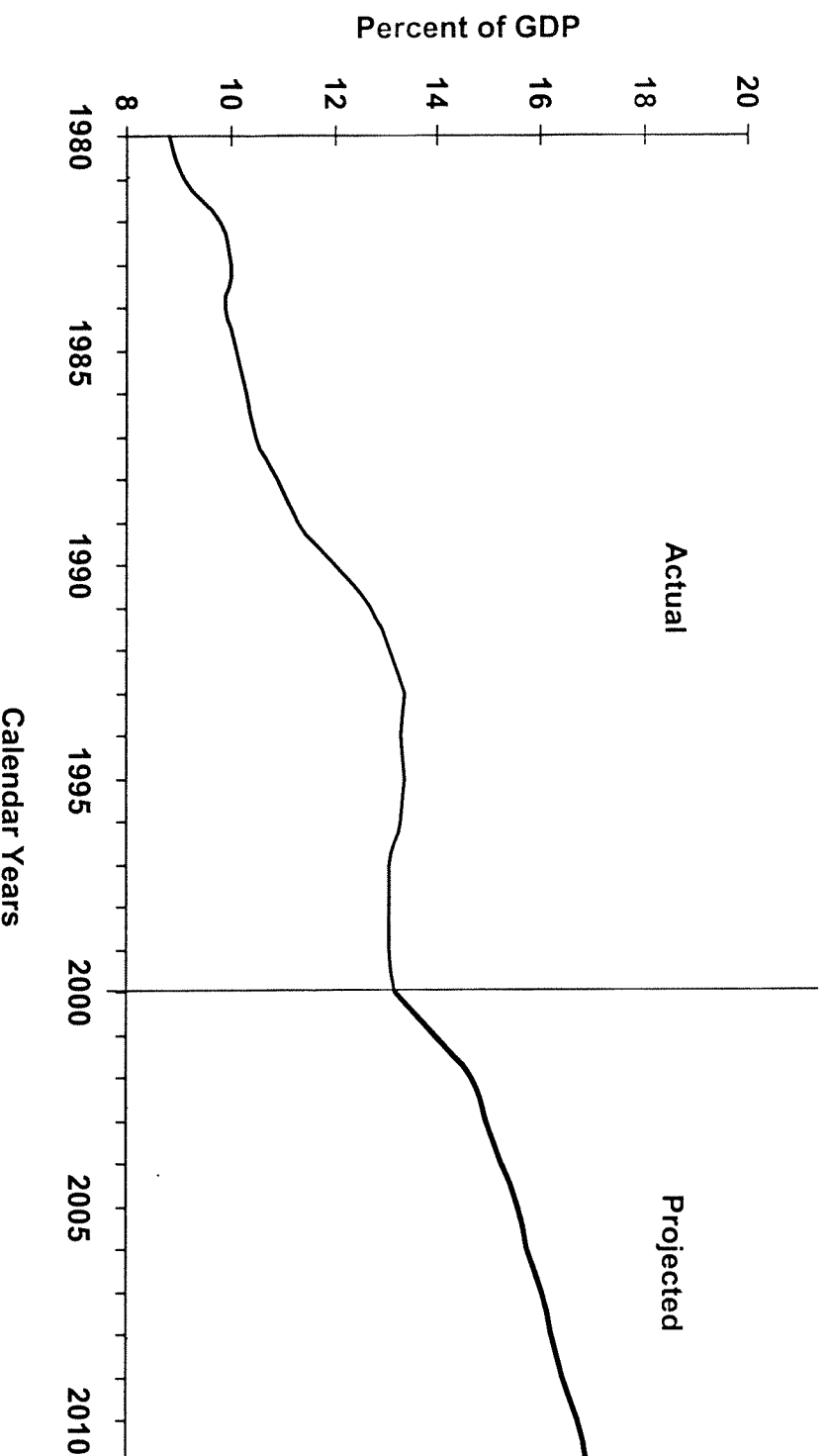
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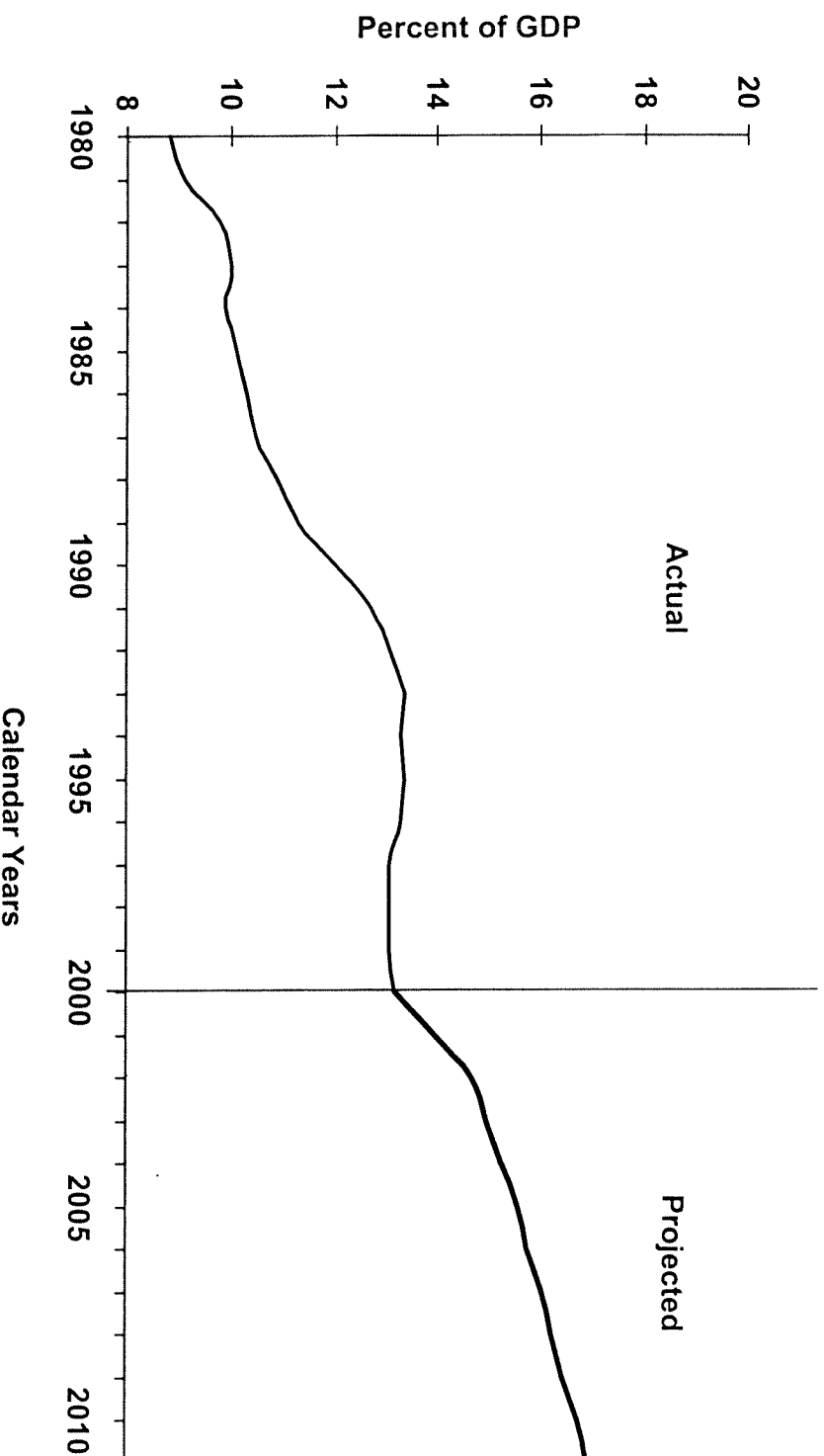
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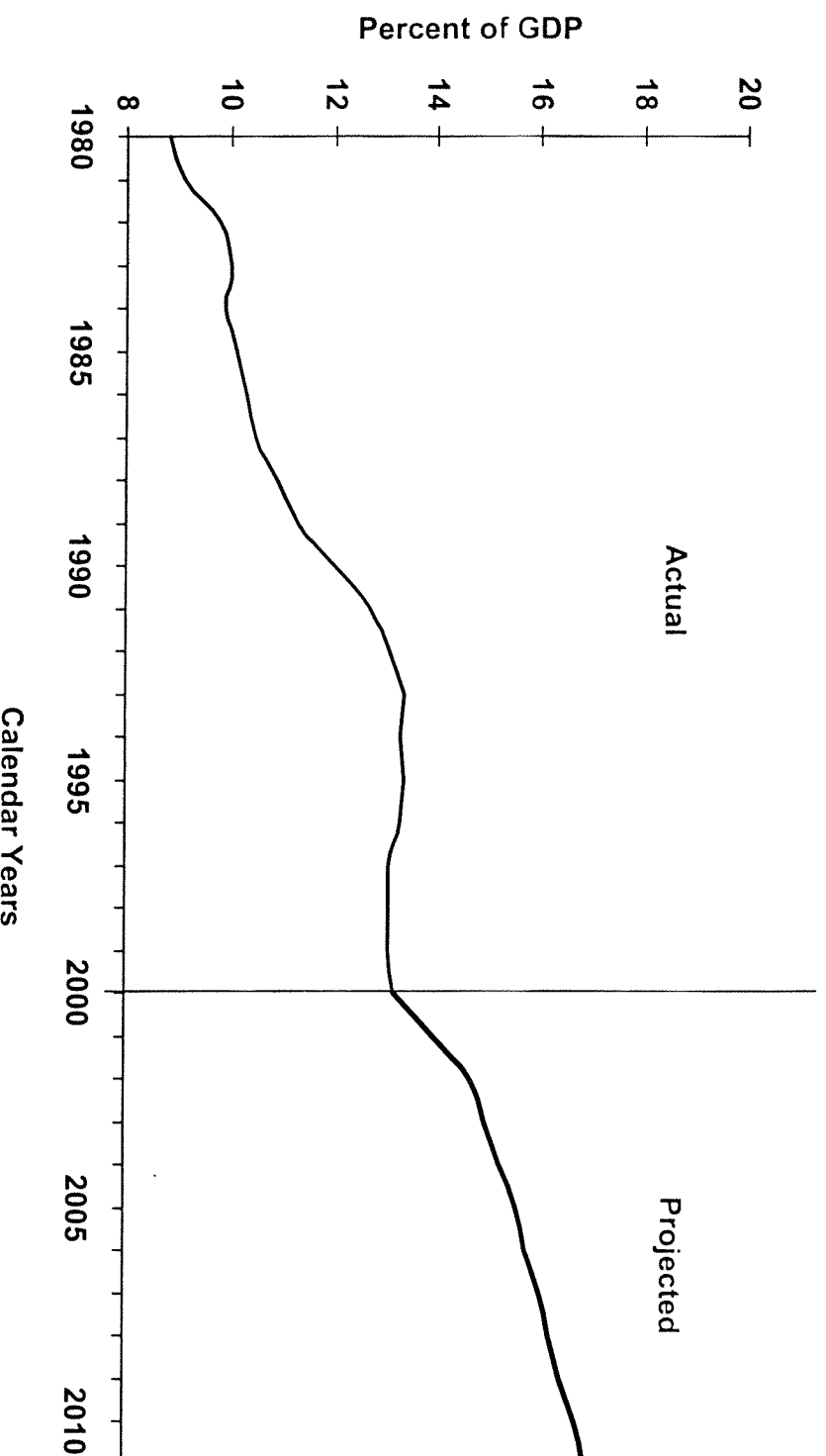
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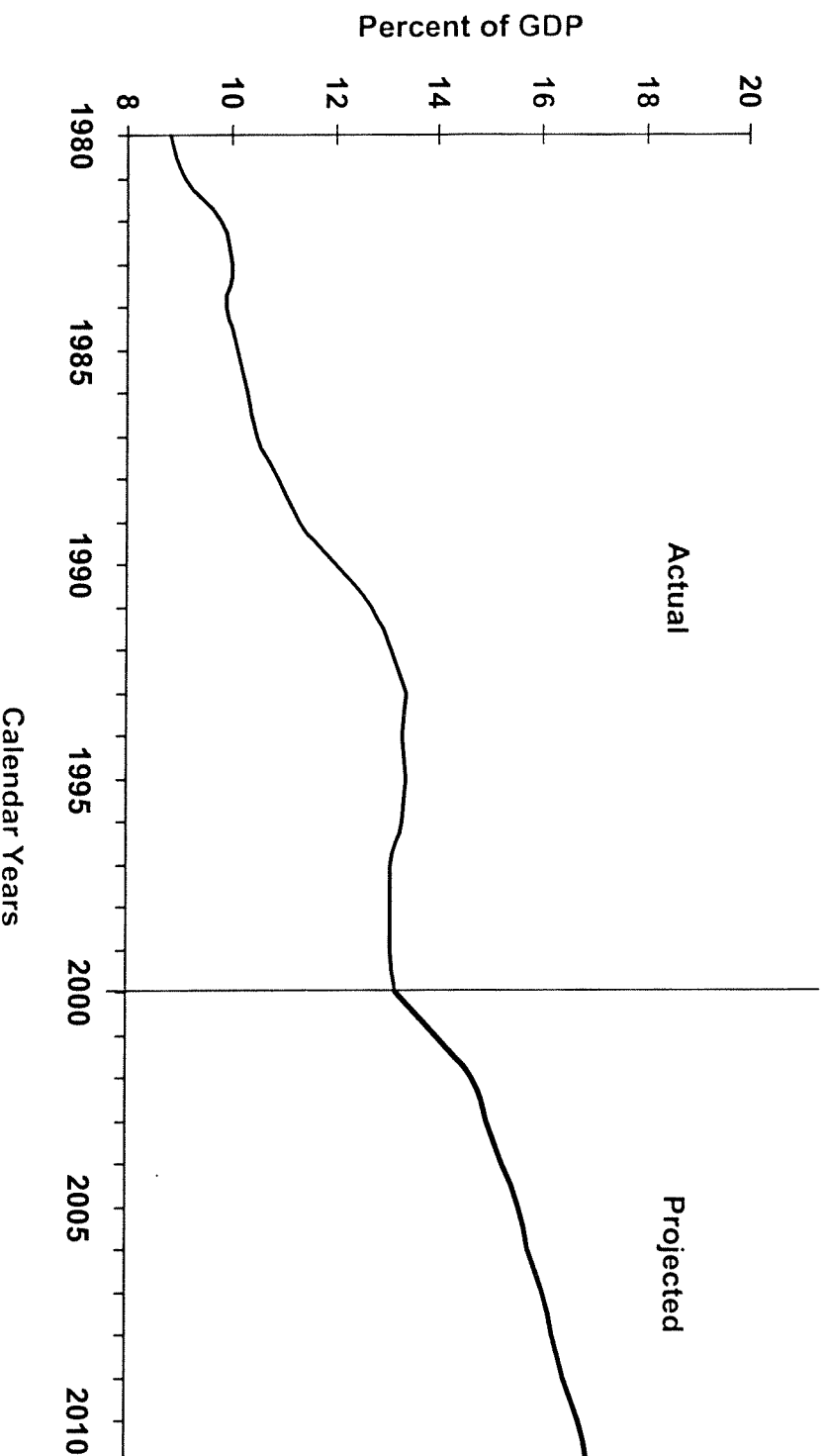
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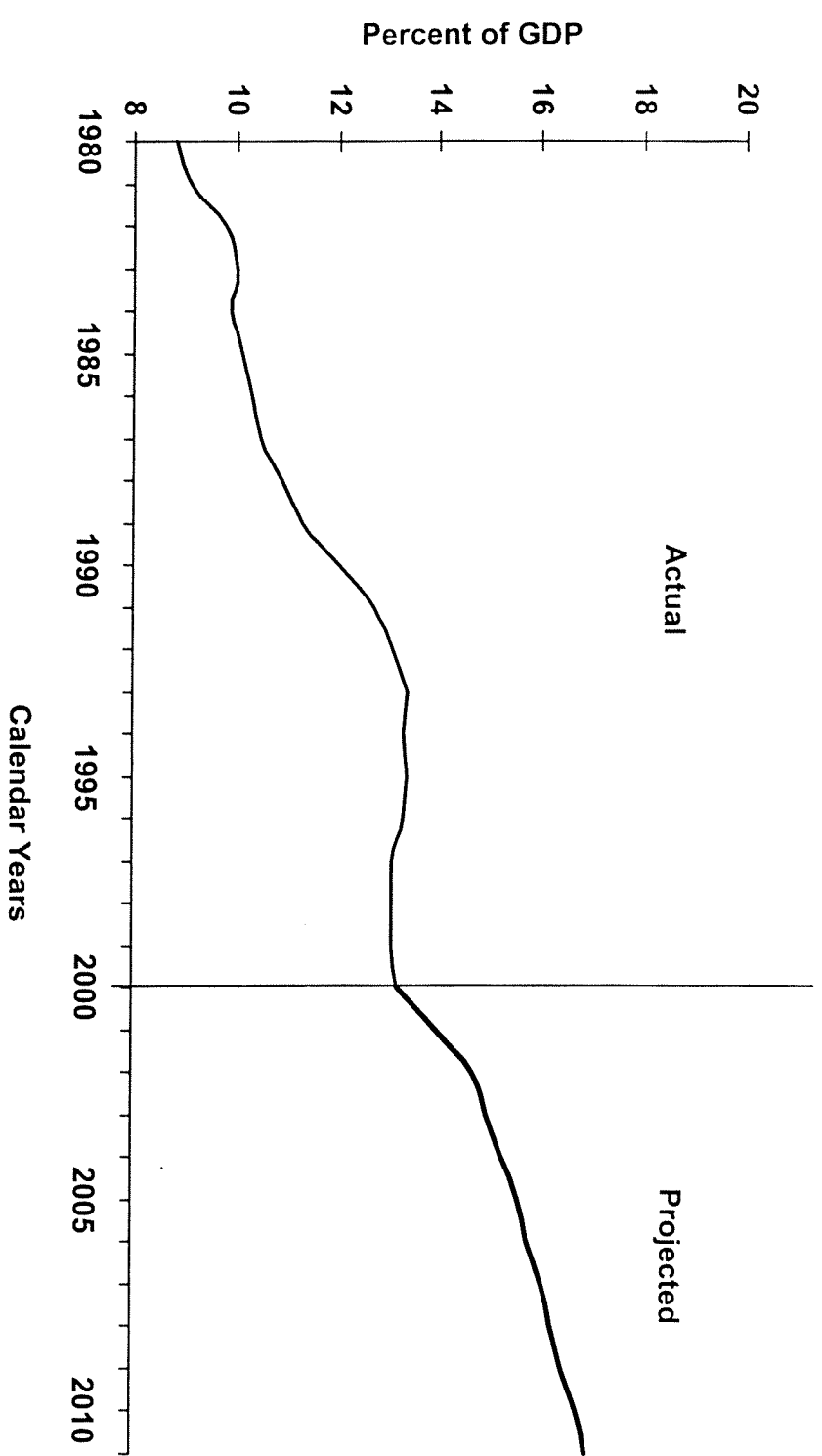
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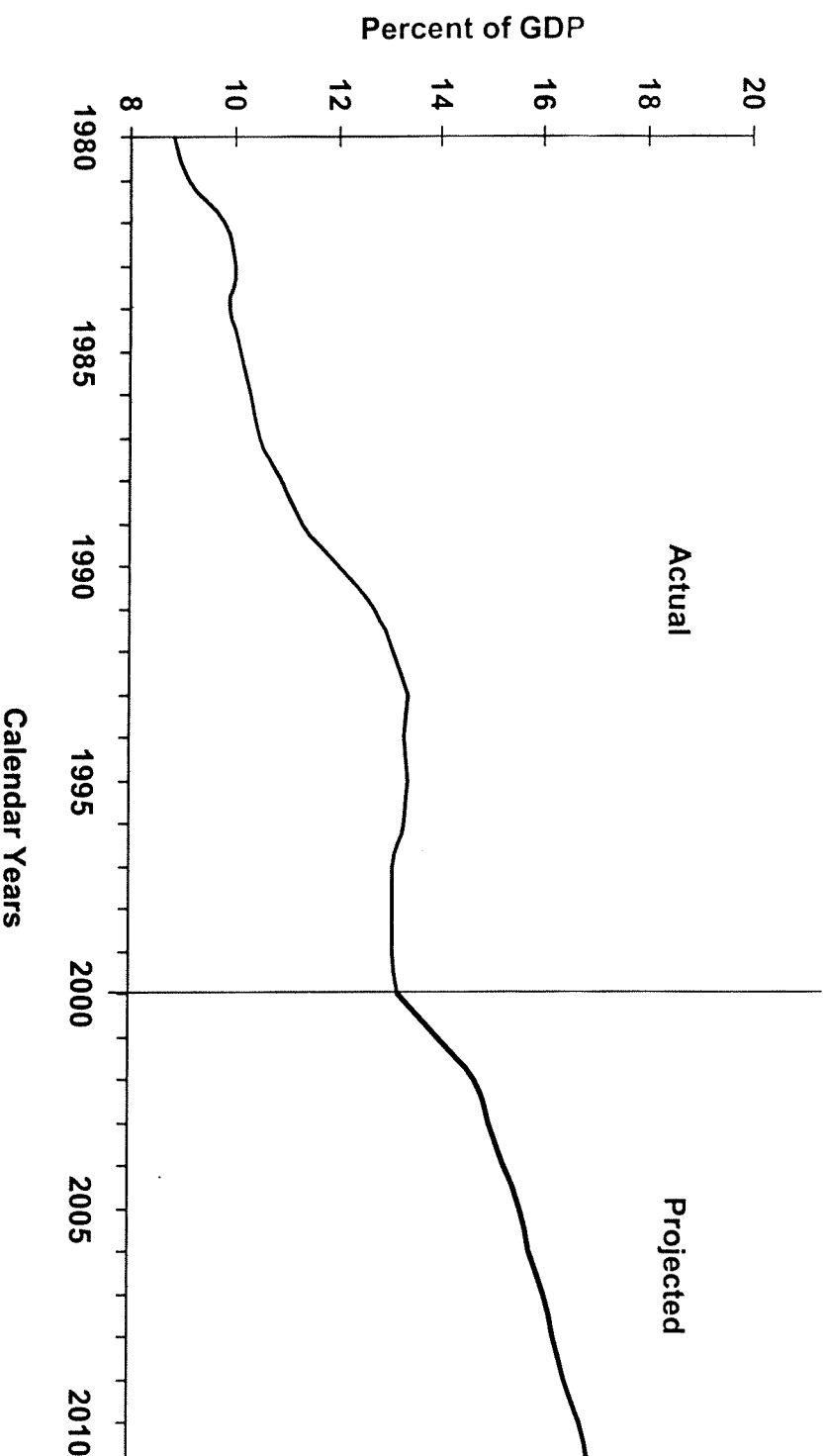
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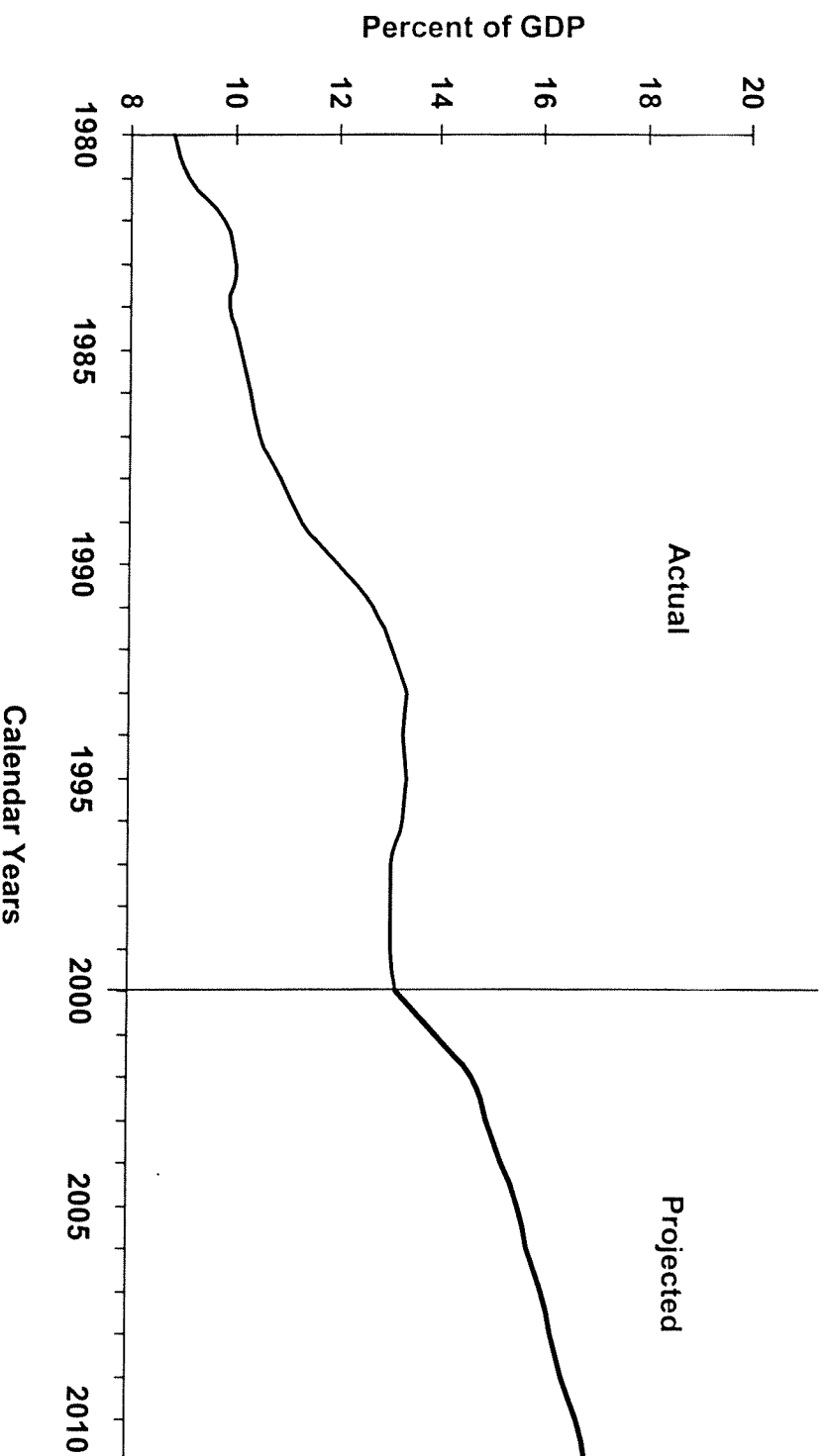
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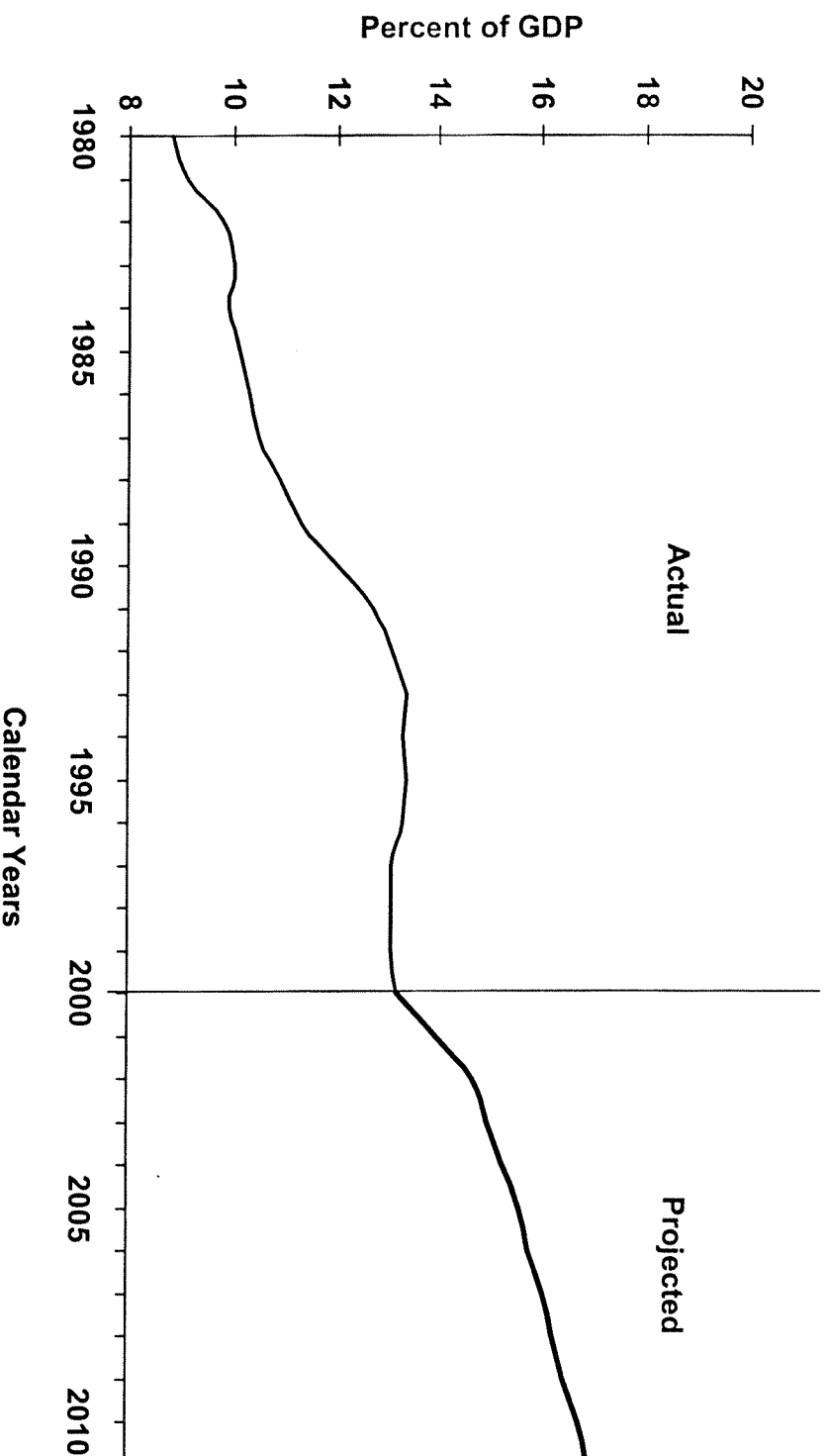
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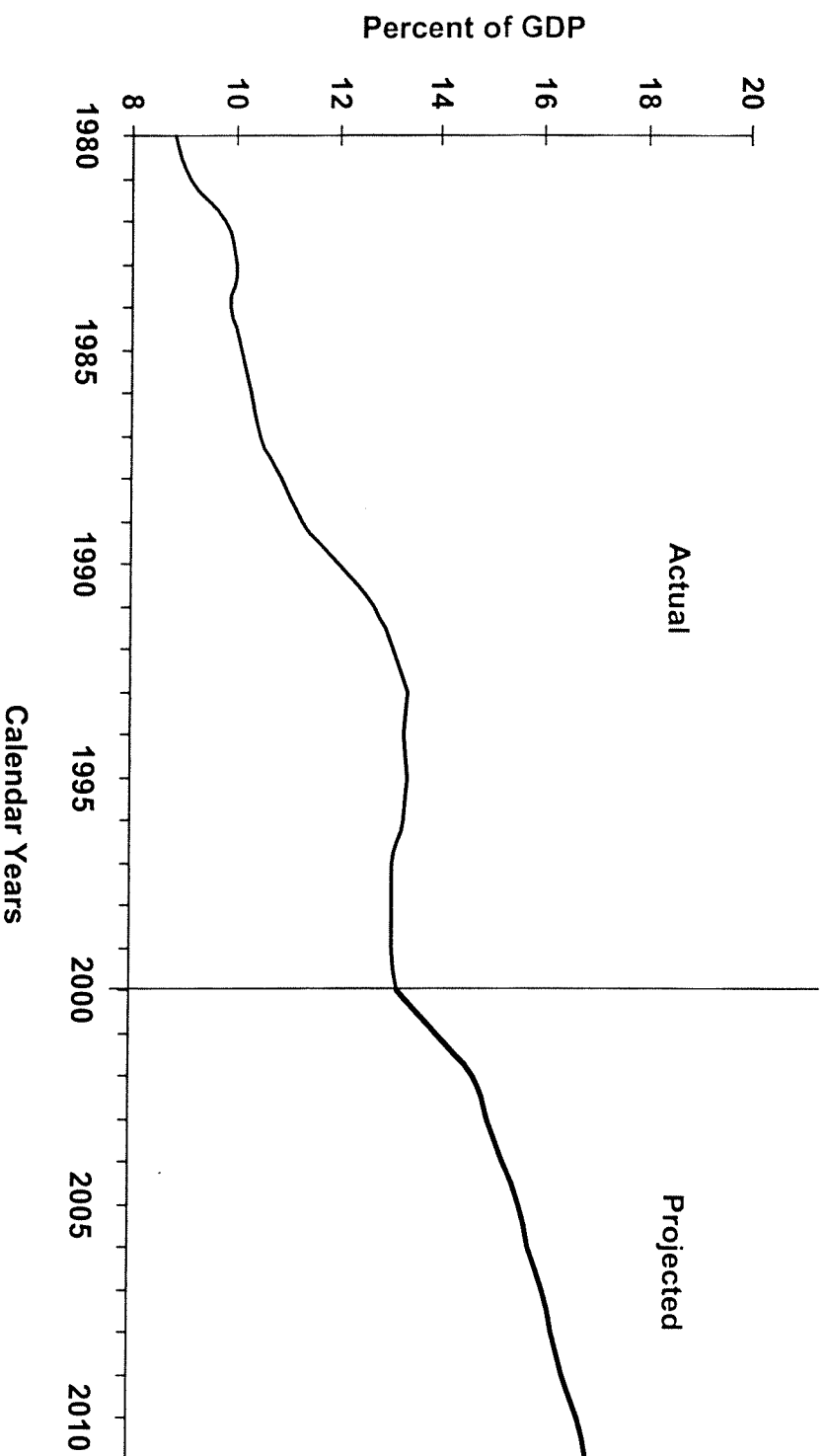
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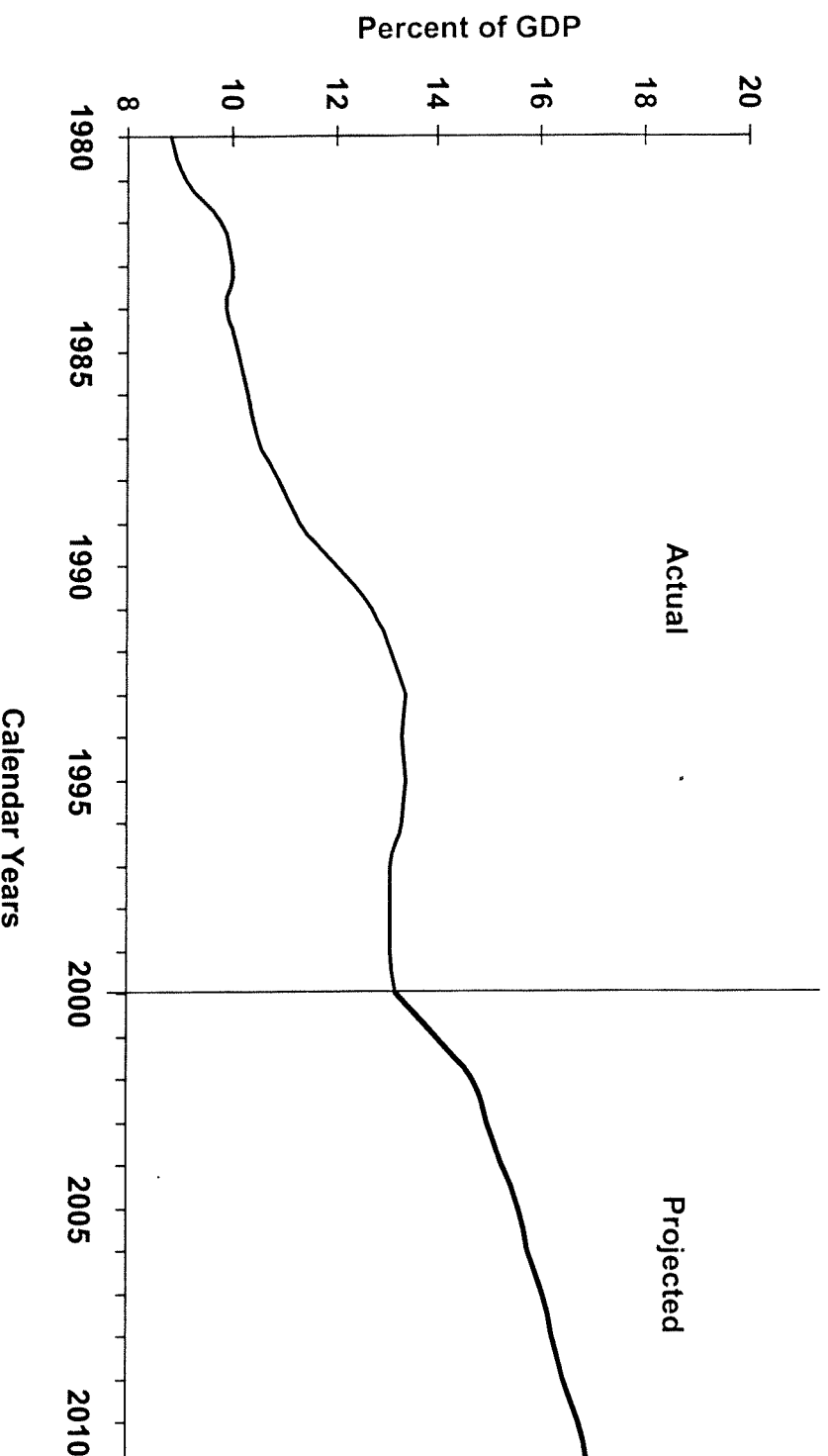
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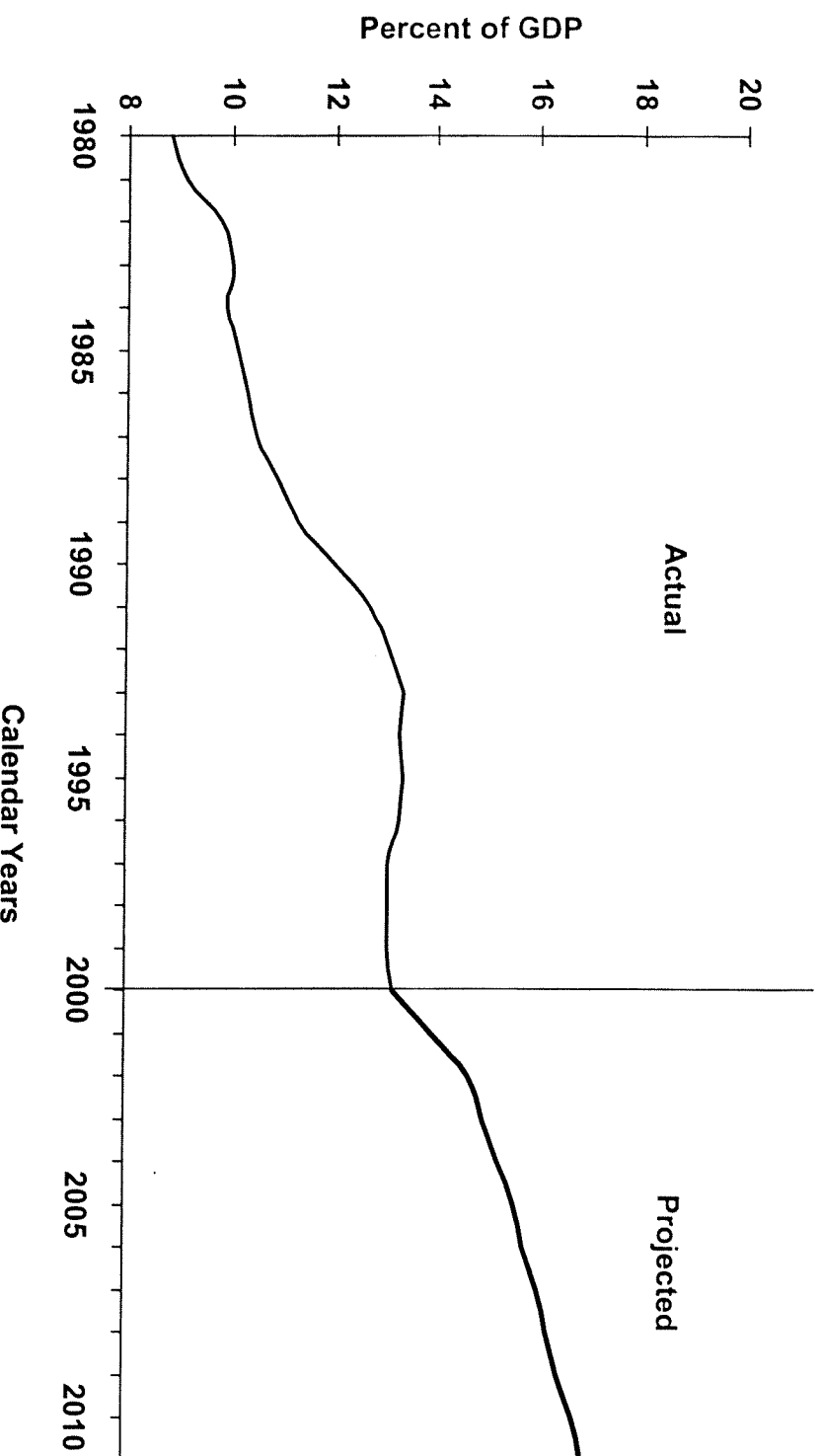
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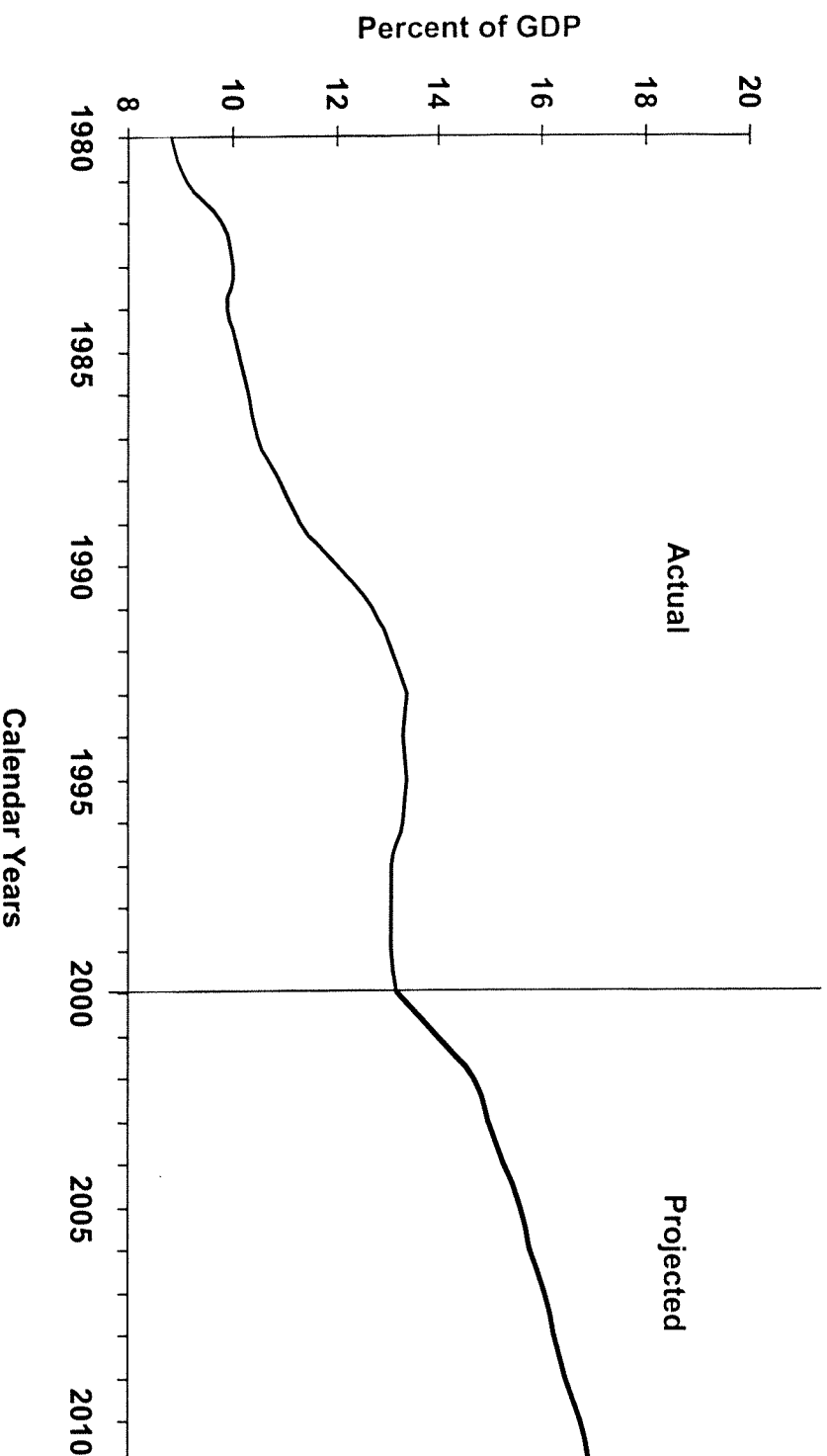
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